

The Right Infrastructure It Takes More Than Great People to be World Class

Jim Collins, in his book Good to Great, made the point that one of the biggest traps a company can fall into on their way to greatness is to become satisfied with being good. Michael Hammer made this same point earlier when he said, "If it ain't broken, break it." The point, of course, is that organizational inertia is always present in companies -- whispering to anyone who will listen that they have worked hard enough, that everything is good enough and it is not worth extra effort to make things better.

Last month we said that consistently successful insurance companies always have two key elements; the right people and an infrastructure that helps them do their jobs efficiently and effectively. Last month we talked about people. This month our focus is on infrastructure.

Infrastructure is everything that helps an employee do the best job possible without management involvement. It includes everything from your systems and workflows that determine how you do work; your organization structure that makes communication, decision-making and accountability either easy or difficult; management practices that allow or restrict creativity and your goal setting and reward and recognition approaches that allow or restrict greatness. The decisions you make about infrastructure may not make you great, but the wrong decisions can keep you from becoming great.

In determining the infrastructure you need and the changes that will produce the best result for your situation, it is best to look at it from two viewpoints by asking the following questions.

1. An external viewpoint. What does your company need to do to meet and exceed the needs, wants and expectations of your customers? And
2. An internal viewpoint. What do you need to do to make it easy for every employee to not just do their jobs (eliminate impediments, put the right things together, etc.) but to go beyond this so you encourage each employee to consistently excel, i.e., produce above average results?

Asking your customers what they want from your company is an enlightening process, if you do it well and honestly. We suggest you talk to policyholders, agents, claimants and anyone outside the company that makes or influences your customer's buy (or not buy) decision at renewal time. Here are some things you can expect to receive and the repercussions they might have.

Money is always an issue. Everyone wants to pay a fair price. Nothing turns customers off more than thinking they have been taken advantage of. Companies that rely on relationships or other ideas to justify a higher premium level should beware. This never works over the long term and is never a good approach for a company seeking greatness. Customers will continually pay a higher price only if they perceive they are receiving a higher value. They will not tolerate higher rates because of poor management, high expenses or poor loss ratio management. If your customers do not understand this, their agents will. The clear message is that you must be lean, efficient and effective at what you do. There are no alternatives.

A second thing that is always learned is that customers do not care about how you are organized but care greatly about how easy it is to contact you and receive the service they want. You need an efficient organization structure to provide this service. Individual customers (customers who have individual or personal lines products) tend to want a single phone number to call or some other easy way

to ask questions or make requests. They want the person who answers their call to handle their request immediately or to at least get back to them quickly. Businesses (or other customers with insurance situations where they can actively influence or even control the price they pay) want a relationship with a team of experts who know and care about them and their situation. They want your employees to be their own team. Depending on your specific products, markets and distribution approaches, you may have answers that fall between these two.

Whatever your situation, it is interesting that we have never received a request for service from customers where a traditional, functional, silo organization structure would work best. Modern customers seem to require more creatively designed, customer centric structures that provide faster and better service that take advantage of real time, customer focused computer systems.

Before you actually start making significant infrastructure changes to improve costs and organization structure, also talk to your employees. You need the combined views, external and internal, to paint the most complete word picture of how the company should operate.

When you do, there are common messages you can expect to receive. First and perhaps most importantly, is the overwhelming desire from most employees to do a good job, add value and help the company be successful. Few employees just want to come to work, do the minimum and go home. Instead, they want to make a meaningful contribution to the company and its customers.

You will probably also find a level of frustration. Pay particular attention to this. It is a gold mine of opportunity. This is where you can make significant improvements. The frustration is usually centered in several areas;

- An ineffective or missing success measurement process. Employees may comment that they do not understand how their work contributes to the company's success, that their success measures focus on small, meaningless tasks instead of larger business results and that they have no way of knowing on a regular basis whether they are doing well or poorly.
- Management processes and culture that does not encourage creativity and team involvement in identifying and implementing improvements.
- Little emphasis, rewards or recognition that encourage employees to excel and go beyond just doing their jobs.
- Fragmented work processes, organization structures and unnecessary approval requirements that make decision-making slow and cumbersome. People who need to work together may be located in different units, on different floors of the building. Work may flow back and forth between units and people. Unnecessary layers of management and narrow spans of control may create cumbersome approval processes, unnecessary checking and slow decision-making.

Some quick changes can usually be made. This is good because it tells everyone that their involvement in this process was worthwhile and demonstrates that management is committed to change. The most important results of this are clearly the fundamental changes in the way the company is put together, the way it operates and the way it treats its customers and employees. These changes can only be understood and put in place after gathering all of the information, both external and internal, and then ensuring your total infrastructure creates balanced solutions that satisfy both.

If you would like to discuss any of these concepts, please call me or send an Email. Also please visit our web sight at McDonaldConsultingGroup.com. You'll find further explanations of these ideas in our Concepts and Ideas section.